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SUBJECT: SOUTH AFRICA: TRADE UNION VIEWS ON BLACK ECONOMIC
EMPOWERMENT

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Summary

1. Major trade union federations in South Africa actively support the goals of Black Economic Empowerment (BEE), but have specific criticisms relating to its implementation. The Congress of South African Trade Unions (COSATU) argues that BEE is insufficiently broad-based and fails to emphasize job creation and assistance to communities. COSATU specifically criticizes the focus on assisting black entrepreneurs rather than the working class, though it also has misgivings about employee stock option or profit sharing plans that include enterprise workers among BEE beneficiaries. The Federation of Trade Unions of South Africa (FEDUSA) similarly supports the goals of BEE but its General Secretary noted the complexity of restructuring the economic base while maintaining productivity. FEDUSA, which claims to be closer to President Mbeki than COSATU, also noted the urgent need for access to finance for disadvantaged small businesses and entrepreneurs, as well as a need to ease regulations for business start-ups. End Summary.

COSATU argues for Broader-based BEE

2. In a meeting in late October, COSATU spokesman Patrick Craven emphasized that the trade union federation fully supported the goals of black economic empowerment but that the implementation was lacking. Craven also noted COSATU's heartburn about the issue of trade union pension and investment companies, employee stock option or profit sharing plans. While COSATU did not oppose such arrangements, Craven argued that the fiduciary responsibilities of the administrators, who were bound to seek profits, could conflict with the trade union principles of promoting worker interests and social justice. COSATU had publicly opposed a union pension investment in a casino, which might be justifiable in terms of its profits, but did not accord with trade union opposition to gambling. Nevertheless, COSATU did not oppose employee share ownership plans, and was actively promoting training of trade union pension fund representatives on fiduciary responsibilities.

3. COSATU's Secretariat Report of September 2006 outlines the history of trade union involvement, through NEDLAC (the National Economic Development and Labor Advisory Council), in drafting Codes of Good Practice that would define the scorecard received by an enterprise under BEE. The report also notes that stakeholders in a sector, explicitly including labor, may agree on a sector charter that can diverge from the scorecard under the Codes of Good Practice.

The Secretariat Report references COSATU's arguments that :

a) the BEE process fails to emphasize job creation, especially through support for local procurement and strong ties to sector

strategies;

b) equity ownership requirements should emphasize collective ownership, i.e. through community trusts, pension funds or worker holding. COSATU had pushed for such definitions in NEDLAC but notes that it is currently unclear if company stock ownership through an employee pension plan would meet equity requirements;

c) skills development and employment equity targets emphasize managers and professionals rather than lower-level workers. COSATU notes that the original acts of Parliament were intended to ensure of advancement of lower-level workers; and.

d) more emphasis should be given to services and products that empower the poor and their communities. Such sectoral re-weighting would be particularly beneficial in the financial and health sectors.

¶4. COSATU's official secretariat statement also noted the extent to which "class differentiation" among the black population impacted on the BBBEE debate. Black entrepreneurs fought to maximize the returns to share owners at the expense of company actions that would benefit workers and the poor. In its policy resolutions adopted at its 8 th /2005 Congress, COSATU also noted that the tendency within BEE was to emphasize racial representation in ownership, promoting black elite enterprises, at the expense of broadening ownership and focusing on inequalities in terms of race. This underemphasized gender and class-based inequalities.

COSATU Affiliate Unions' Positions More Radical than Federation

¶5. Both the National Union of Metalworkers of South Africa (NUMSA) and the South African Clothing and Textile Workers Union (SACTWU) have argued that the current narrow interpretation of

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BEE fails to include skills development, employment equity, broad-based ownership, employment creation and support for co-ops as key elements in effective empowerment. The two unions also called for payment of a living wage, comprehensive trade union rights, and advanced health and safety practices as part of BEE. Both also noted that the BEE must not be centered on the "enrichment of a few" but serve to redistribute wealth among all disadvantaged communities and reduce racial, class and gender inequalities.

¶6. The National Education Health and Allied Workers Union (NEHAWU) meanwhile has stated that BEE is not consistent with the Freedom Charter, which called for the transfer of ownership to the people as a whole, "not to some Blacks." NEHAWU has called for nationalization or re-nationalization of key industries, including petro-chemical producer SASOL, and of highly concentrated industries such as banking and mining rather than allowing the "exploitation of the worker in order to secure maximum profits."

FEDUSA wants more finance, less regulation

¶7. The Federation of Unions of South Africa is the second-largest union federation in South Africa after COSATU, and most of its affiliates have a predominantly white or colored membership. General Secretary Dennis George noted that BEE issues were very difficult, though FEDUSA fully supported its aims. George, who served on the tourism board, said that establishing black-owned businesses in the tourism sector was hampered by lack of land reform, lack of access to finance and over-regulation by government. He noted that it sometimes took two years to get financing arranged, but that government inspectors showed up a day after a small entrepreneur opened a bed and breakfast. George also said that FEDUSA generally had a better relationship with President Mbeki than COSATU, and that

FEDUSA was often more supportive of the government's policy.

Comment:

18. COSATU's stance on BEE reflects its duality in seeking to represent both the interests of its trade union membership and its self-appointed political role in speaking for the poor and unemployed. Assistance to entrepreneurs and small business is more likely to fuel job creation than BEE restructuring but start-up firms generally have minimal union membership - and thus are of little bread-and-butter benefit to COSATU. Many of COSATU affiliates' criticisms of BEE are also being addressed, especially as regards skills development, although the training offered by many of the Sector Education and Training Authorities (SETAs) remain uneven. COSATU's interest in reducing the importance of equity transfers in a BEE scorecard parallels the interests of U.S. and other multinationals who seek to comply with BEE standards but prefer not to give up equity in their South African subsidiaries. End Comment.
COFFMAN##